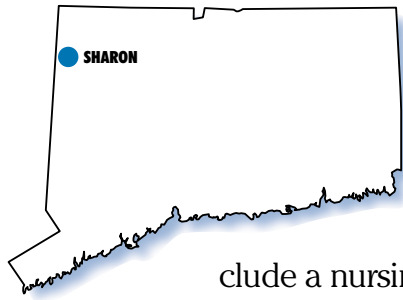


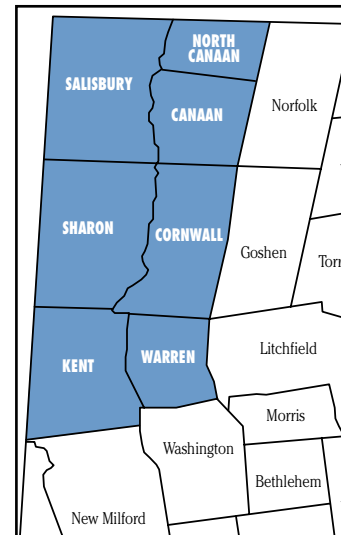
SHARON HOSPITAL

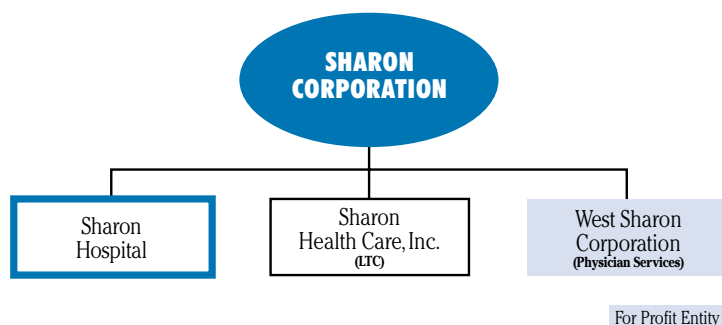
Sharon Hospital, founded in 1909, is located in Sharon and, in addition to that town, primarily serves six other Litchfield County towns as well as Dutchess County, New



York. In FY 1999, the hospital staffed 85 of its 94 licensed beds and employed 317 Full Time Equivalents. Sharon

Hospital's affiliates include a nursing home and physician service. The hospital's average age of plant is 11.4 years as compared to the U.S. average of 9.2 years.



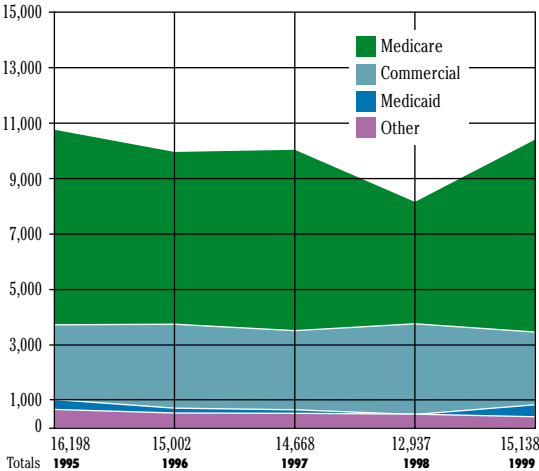


MARGINS	1997	1998	1999
Total margin	2.03%	-5.06%	-11.21%
Operating margin	0.85%	-13.06%	-12.01%

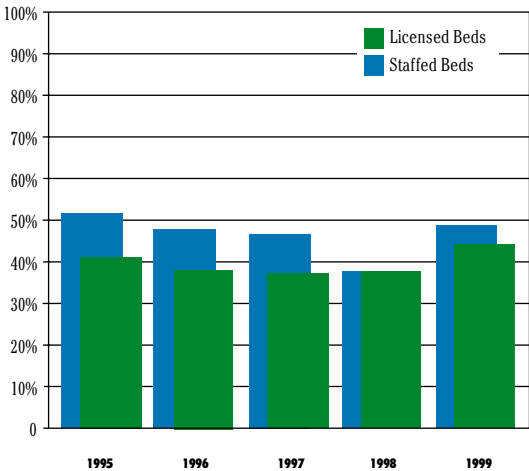
PAYMENT TO COST RATIOS BY PAYER			
Ratio of cost to charges	.51	.55	.61
Medicare Payment to Cost	.90	.81	.71
Medicaid Payment to Cost	.55	.69	.80
Private Payment to Cost	1.37	1.27	1.16
Uncompensated Care Cost	\$833,814	\$1,658,601	\$2,445,213
Total expenses	\$27,440,408	\$28,399,209	\$33,460,988
Uncompensated care % of total expenses	3.04%	5.84%	7.31%

CAPITAL STRUCTURE RATIOS			
Equity financing ratio	49.50%	42.49%	33.17%
Debt service coverage	2.24	0.32	0.52

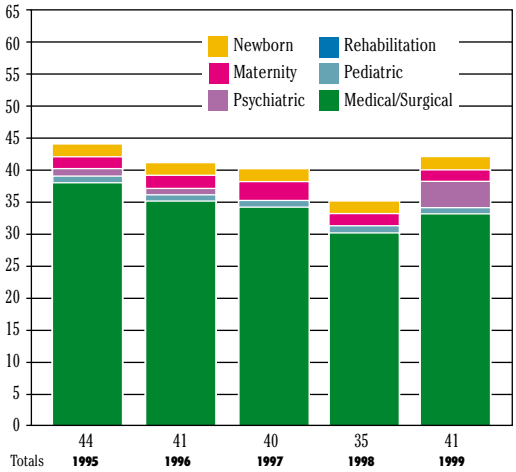
LIQUIDITY MEASURES			
Days of expenses in accounts payable	69.56	85.53	169.84
Days cash on hand	28.48	12.37	12.99
Days of revenue in accounts receivable	87.66	82.81	75.40



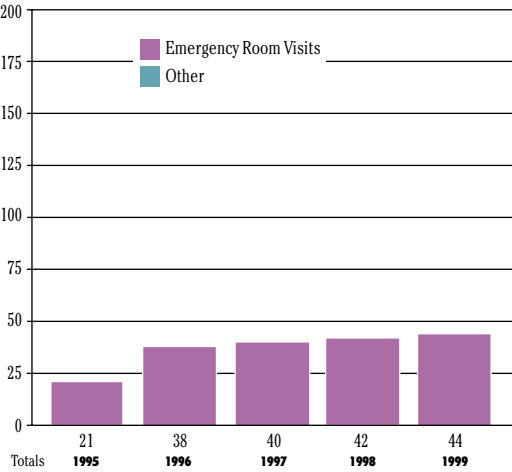
PATIENT DAYS BY PAYER



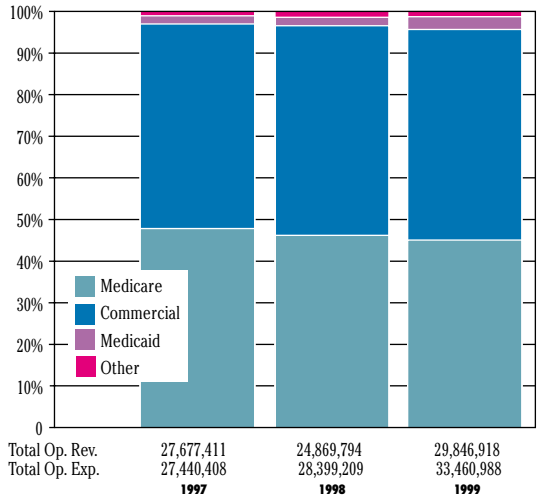
AVERAGE OCCUPANCY



AVERAGE DAILY CENSUS BY SERVICE



AVERAGE DAILY OUTPATIENTS



NET PATIENT REVENUE BY PAYER

KEY PERFORMANCE DRIVERS

- ◆ Sharon Hospital is located in a sparsely populated area in northwest Connecticut. More than half of the hospital's patients are from New York State.
- ◆ In 1999, the hospital's occupancy rate was 49 percent of its 85 staffed beds.
- ◆ Sharon Hospital is experiencing cash flow challenges, as evidenced by a rise in accounts payable from \$2.4 million in 1997 to \$4.9 million in 1999.
- ◆ The hospital is paid 72 percent of cost for treating Medicare patients. This is especially problematic in that Medicare represents 45 percent of net patient service revenue.
- ◆ The hospital implemented a series of reengineering initiatives including modest reductions in the workforce. The small size of the hospital presents problems with downsizing. A minimum number of staff are required to maintain acceptable service levels.
- ◆ Staffing shortages in key areas have required salary increases, increased overtime costs, and contracting for nursing staff through outside agencies.
- ◆ Despite Sharon Hospital's attempts to reduce cost, increase revenue, and affiliate with other hospital providers, the hospital continues to lose money. Sale and for-profit conversion of the hospital have been proposed.

SITE VISIT ISSUES RAISED BY HOSPITAL MANAGEMENT

Bond Covenants. As of September 30, 1998, the hospital was in default of its covenant to maintain a minimum debt service coverage ratio. After revision of the covenants in January 1999, the hospital was deemed in compliance. The large debt structure remains problematic.

Essent Healthcare. The Sharon Hospital Board of Trustees approved sale of the hospital to the for-profit Essent Healthcare. If approved by OHCA and the Connecticut Attorney General, this will be the first for-profit hospital conversion in the state of Connecticut. The hospital would also enter into an affiliation with St. Francis Hospital and Medical Center.

Medical Staff. Physicians continue to express concern over the lack of aggressive planning to expand services and improve market share but realize that the hospital is hampered by lack of funds. There appears to be support from the medical staff for the Essent Healthcare transaction.